

# FISCAL NOTE

**Bill #:** HB 430

**Title:** State assumption of supplemental contributions to TRS for MUS optional program

**Primary Sponsor:** Raser, H

**Status:** As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$890,430	\$1,934,550
Other	\$4,478,730	\$3,839,770
<b>Revenue:</b>		
General Fund	\$0	\$0
<b>Net Impact on General Fund Balance:</b>	(\$890,583)	(\$1,934,550)

- |   |   |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input checked="" type="checkbox"/> Technical Concerns            |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input type="checkbox"/> Needs to be included in HB 2             |

## Fiscal Analysis

### ASSUMPTIONS:

1. Annual salaries for University Optional Retirement Plan (ORP) participants currently reported to the TRS are assumed to grow at the actuarial assumed rate of 4.5 percent. However, total annual salaries reported will increase above this rate as new faculty and administrators are added to the ORP.
2. Annual salaries for University ORP members for FY 2006 and FY 2007 will be \$132.9 million in FY 2006 and \$143.3 million in FY 2007.
3. Beginning in FY 2006, the state general fund will pay to the TRS a portion of the supplemental contribution, reducing the rate currently paid by the university system under 19-20-621, MCA, to fund past service liabilities. In FY 2009, the state general fund will pay the total supplemental contribution rate currently paid by the university system.
4. The state general fund supplemental contribution rate for FY 2006 is 0.67%, FY 2007 is 1.35%, FY 2008 is 2.69% and FY 2009 is 4.04%
5. The university system supplemental contribution rate for FY 2006 is 3.37%, FY 2007 is 2.69%, FY 2008 is 1.35% and FY 2009 is 0.0%
6. Eliminating the requirement that the Teachers' Retirement Board periodically review the supplemental employer contribution rate will reduce the TRS administrative expenses in FY 2007 by \$15,000.

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(continued)

7. The total supplemental contribution rate paid to amortize the university system's past service actuarial accrued liabilities will terminate on July 1, 2033.

**FISCAL IMPACT:**

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
<u>Expenditures:</u>		
Personal Services	5,369,160	5,789,320
Operating Expenses	<u>0</u>	<u>(15,000)</u>
TOTAL	5,369,160	5,774,320
 <u>Funding of Expenditures:</u>		
General Fund (01)	890,430	1,934,550
Other	<u>4,478,730</u>	<u>3,839,770</u>
TOTAL	5,369,160	5,774,320

**Net Impact to Fund Balance (Revenue minus Funding of Expenditures):**

General Fund (01)	(890,430)	(1,934,550)
Other	(4,478,730)	(3,839,770)

**LONG-RANGE IMPACTS:**

The long-range impact to the general fund for FY 2008 is \$4 million and FY 2009 is close to \$7 million.

**TECHNICAL NOTES:**

If both HB 430 and HB 181 are approved by the legislature, coordinating language will be required.